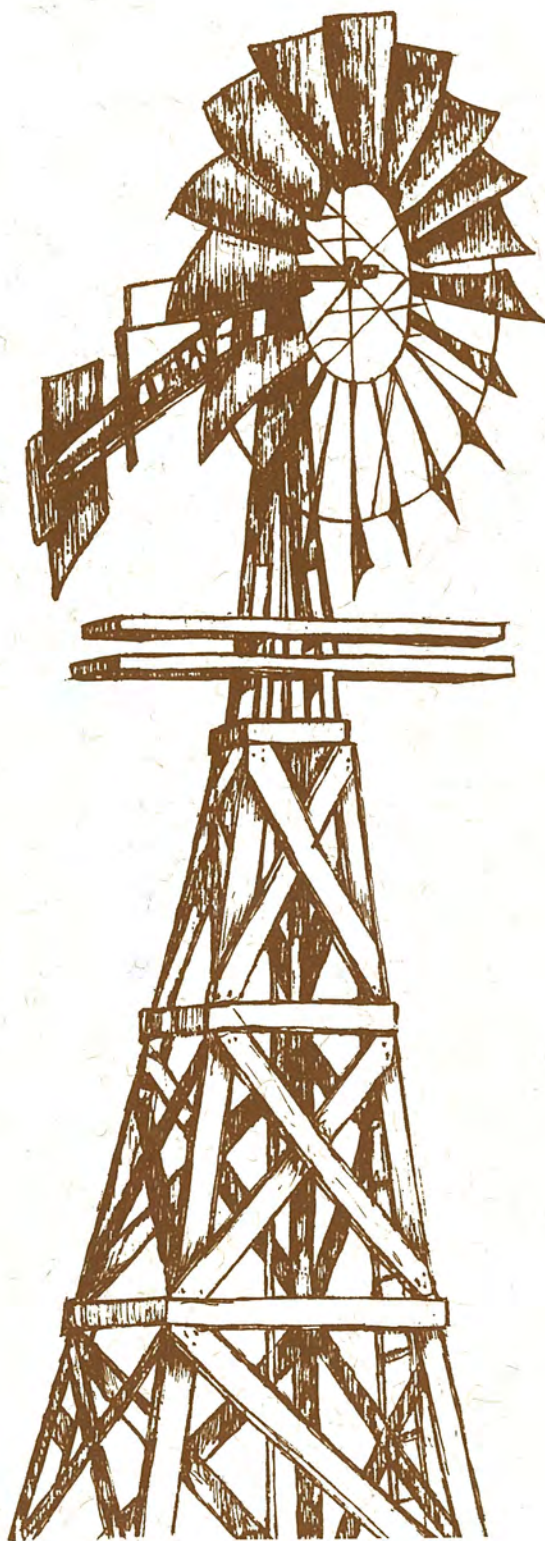


# 1992 Annual Report

91 Years of Service



Certain people have a profound influence upon the course of future events. During the past year, the Association was saddened by the passing of one such individual -- Emmett D. White, who served this Association with distinction.

We would like to dedicate this Annual Report to the memory of this individual for the many contributions he made to the Association.



# REVIEW AND OUTLOOK



## PIONEER SAVINGS & TRUST, F.A.

March 31, 1993

Dear Stockholders:

Pioneer Savings experienced solid gains in 1992 with net income of \$1,232,645 or \$1.22 per share. As a comparison, our net profit in 1991 was \$216,921 or \$.22 per share. This performance was due to lower interest rates which resulted in increased home refinancing and substantial growth in mortgage servicing. In addition, Pioneer experienced sizeable profits on sales of securities and improved sales of real estate owned. At year end Pioneer met the three difficult net-worth tests imposed by the Office of Thrift Supervision and exceeded its risk-based requirements by 29%.

During the year net interest income increased over 1991 by more than 43% to \$4.7 million. Non-interest income increased 65% or \$1.8 million, with especially strong gains from the sale of securities and loan servicing fees. The gain on sale of loans and securities was up 72% or \$978,000. Our loan servicing department continued its impressive growth with servicing fees increasing 76% or \$799,000. Mortgage loans serviced for others increased to nearly \$422.5 million, up 54% from a year ago. This outstanding growth resulted from sales of mortgage loans originated by Pioneer and from sales of loans purchased from our correspondent lenders located in Texas and New Mexico. The estimated value of loans serviced for others exceeds the amount recorded in the financial statements by approximately \$2.7 million.

Non-interest expense is 36% higher than last year due primarily to charges over which we have no control, namely, higher loss provisions for real estate owned (REO). Aside from this, non-interest expense was relatively flat compared to a year ago due primarily to a carefully monitored cost control program, an integral part of the Association's business plan.

During the year asset quality continued to improve as indicated by declines in real estate owned and non-accrual loans. Real estate owned declined 28% or approximately \$2.5 million during 1992. Non-accrual loans were nearly 19% less than at the end of the previous year. Delinquency ratios for investment loans and loans serviced for others continued to decline throughout the year.

We are encouraged by the very positive operating results of 1992 and the net revenues produced in the first months of 1993. In view of the trend of improved asset quality and reduced non-accrual loans, we plan to reduce the provision for loan and REO losses during 1993. Throughout the year we plan to increase our servicing volume, and as the economy of our region improves, we should continue to make substantial reductions in our real estate owned portfolio, as well. Our earnings in the first quarter of this year have exceeded estimates, and we are optimistic that 1993 will be another very good year for Pioneer Savings.

The officers and Board of Directors appreciate the hard work of our dedicated staff, and thank our stockholders and customers for their continued support. We pledge our continued efforts to improve the profitability of your association and increase the value of your investment.

Sincerely,

PIONEER SAVINGS & TRUST, F.A.

George W. Mitchell  
President



# CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

## PIONEER SAVINGS & TRUST, F.A.

	December 31,	
	1992	1991
<b>ASSETS:</b>		
Cash and interest bearing deposits - Note B . . . . .	\$ 14,747,613	\$ 9,341,086
Investment securities - Note C. . . . .	196,582	99,968
Mortgage-backed securities - Note C . . . . .	65,750,254	58,578,944
Loans, net - Notes D and P . . . . .	62,327,632	71,296,920
Loans held for sale - Note D. . . . .	19,257,789	14,198,554
Accrued interest receivable . . . . .	754,323	878,207
Federal Home Loan Bank stock. . . . .	1,904,700	907,600
Office properties and equipment - Note E. . . . .	3,843,533	4,032,992
Investments in real estate, net - Note F. . . . .	6,350,728	8,856,466
Purchased mortgage servicing rights - Note G. . . . .	2,575,856	1,808,262
Other assets - Notes G and J. . . . .	<u>1,368,703</u>	<u>2,405,418</u>
TOTAL ASSETS	<u>\$179,077,713</u>	<u>\$172,404,417</u>
<b>LIABILITIES:</b>		
Deposits - Note H . . . . .	\$143,633,052	\$147,026,320
Notes payable to Federal Home Loan Bank - Note I. . . . .	21,750,000	13,750,000
Official checks . . . . .	3,006,762	2,419,145
Accrued interest payable. . . . .	189,969	256,989
Advance payments for taxes and insurance. . . . .	686,828	911,344
Accounts payable and other liabilities - Note J . . . . .	<u>1,643,577</u>	<u>994,849</u>
TOTAL LIABILITIES	<u>170,910,188</u>	<u>165,358,647</u>
<b>COMMITMENTS AND CONTINGENCIES - Notes D, L, M and N</b>		
<b>STOCKHOLDERS' EQUITY - Note K</b>		
Capital stock, \$1 par value, 2,000,000 shares authorized; 1,008,097 shares outstanding . . . . .	1,008,097	1,008,097
Additional paid-in capital. . . . .	37,266	37,266
Retained earnings . . . . .	<u>7,122,162</u>	<u>6,000,407</u>
TOTAL STOCKHOLDERS' EQUITY	<u>8,167,525</u>	<u>7,045,770</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$179,077,713</u>	<u>\$172,404,417</u>

The accompanying notes to financial statements are an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENTS OF INCOME



## PIONEER SAVINGS & TRUST, F.A.

	Years Ended	December 31,
	<u>1992</u>	<u>1991</u>
<b>INTEREST INCOME:</b>		
Loans and mortgage-backed securities - Note D . . . . .	\$12,340,128	\$12,479,620
Time and certificates of deposit . . . . .	453,038	620,344
Investment securities . . . . .	<u>3,858</u>	<u>119,423</u>
TOTAL INTEREST INCOME	<u>12,797,024</u>	<u>13,219,387</u>
<b>INTEREST EXPENSE:</b>		
Deposits - Note H . . . . .	6,687,934	9,393,041
FHLB advances and other . . . . .	1,342,023	495,004
Repurchase agreements . . . . .	<u>82,702</u>	<u>64,870</u>
TOTAL INTEREST EXPENSE	<u>8,112,659</u>	<u>9,952,915</u>
NET INTEREST INCOME BEFORE PROVISION FOR LOSSES	4,684,365	3,266,472
Provision for losses on loans - Note D . . . . .	<u>602,632</u>	<u>692,748</u>
NET INTEREST INCOME AFTER PROVISION FOR LOSSES	<u>4,081,733</u>	<u>2,573,724</u>
<b>OTHER INCOME:</b>		
Gain on sale of loans and securities, net - Notes C and D	2,326,786	1,348,948
Loan administration and service fees . . . . .	1,854,197	1,055,364
Gain on sale of servicing . . . . .	204,504	156,368
Loss on sales of equity participations - Note P . . . . .	0	(1,000)
Other . . . . .	<u>181,858</u>	<u>201,853</u>
	<u>4,567,345</u>	<u>2,761,533</u>
<b>OTHER EXPENSES:</b>		
Compensation and employee benefits - Note O . . . . .	2,530,984	2,214,482
Provision for losses on real estate owned - Note F . . . . .	1,592,344	354,403
Recoveries and gains on sale of real estate owned . . . . .	(385,310)	0
Net rental operations of real estate owned . . . . .	(68,604)	657
Occupancy . . . . .	448,191	432,840
Data processing . . . . .	423,518	391,806
Equipment . . . . .	346,157	344,117
Deposit insurance premiums . . . . .	339,357	343,756
Professional and supervisory . . . . .	258,330	205,126
Stationary, printing and office supplies . . . . .	191,388	163,197
Telephone . . . . .	165,397	153,197
Advertising . . . . .	42,952	70,720
Other . . . . .	<u>837,429</u>	<u>280,835</u>
	<u>6,722,133</u>	<u>4,955,136</u>
Income before income taxes . . . . .	1,926,945	380,121
Provision for income taxes - Note J . . . . .	<u>694,300</u>	<u>163,200</u>
NET INCOME	<u>\$ 1,232,645</u>	<u>\$ 216,921</u>
Weighted average number of common shares . . . . .	<u>1,008,097</u>	<u>1,008,097</u>
Net income per share . . . . .	<u>\$ 1.22</u>	<u>\$ .22</u>
Dividend per share . . . . .	<u>\$ .11</u>	<u>\$ .03</u>

The accompanying notes to financial statements are an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENTS OF CASH FLOWS

## PIONEER SAVINGS & TRUST, F.A.

	Years Ended December 31,	
	1992	1991
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income. . . . .	\$ 1,232,645	\$ 216,921
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of:		
Purchased mortgage servicing rights. . . . .	756,051	383,669
Excess servicing . . . . .	357,117	207,321
Purchase of trading account securities. . . . .	(2,620,074)	(31,284,000)
Sales of trading account securities . . . . .	-	33,632,087
Premiums and discounts on loans and mortgage-backed and related securities . . . . .	69,459	(98,271)
Provision for loan losses . . . . .	602,632	692,748
Provision for losses on real estate . . . . .	1,592,344	354,403
Net gain (loss) on sales of:		
Investment securities. . . . .	-	(414,570)
Loans. . . . .	(439,550)	(374,271)
Mortgage-backed securities . . . . .	(1,887,236)	(560,107)
Office properties and equipment. . . . .	694	(20,816)
Foreclosed real estate . . . . .	(280,017)	(38,503)
Servicing. . . . .	(204,504)	(156,368)
Depreciation of office properties and equipment . . . . .	275,710	282,276
Interest credited to savings. . . . .	4,173,549	5,475,059
Changes in operating assets and liabilities:		
Accrued interest receivable. . . . .	123,884	158,549
Other assets . . . . .	679,600	1,093,196
Official checks. . . . .	587,617	650,122
Accrued interest payable . . . . .	(67,020)	(185,028)
Accounts payable and other liabilities . . . . .	618,486	(4,526)
Total adjustments. . . . .	<u>4,338,742</u>	<u>9,792,970</u>
Net cash provided by operating activities. . . . .	<u>5,571,387</u>	<u>10,009,891</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Loan originations and principal payment on loans and mortgage-backed and related securities. . . . .	(65,031,140)	(39,737,797)
Purchases of investment securities . . . . .	(392,755)	-
Proceeds from maturities of investment securities. . . . .	300,000	-
Proceeds from sales of investment securities . . . . .	-	1,472,500
Purchase of mortgage-backed and related securities . . . . .	(60,887,674)	(41,342,723)
Proceeds from sales of mortgage-backed and related securities. . . . .	126,879,411	68,586,864
Purchase of fixed assets . . . . .	(285,514)	(68,786)
Proceeds from sales of fixed-assets. . . . .	360	131,966
Additions to purchased servicing . . . . .	(1,523,645)	(1,943,913)
Purchase of FHLB stock . . . . .	(997,100)	(299,200)
Additions to investments in real estate. . . . .	(72,439)	(116,441)
Proceeds from sales of foreclosed real estate. . . . .	<u>1,717,617</u>	<u>2,965,227</u>
Net cash used for investing activities . . . . .	<u>(292,879)</u>	<u>(10,352,303)</u>

The accompanying notes to financial statements are an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENTS OF CASH FLOWS -- Continued



## PIONEER SAVINGS & TRUST, F.A.

	Years Ended December 31,	
	<u>1992</u>	<u>1991</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Decrease in deposits . . . . .	(7,566,817)	(7,519,936)
Proceeds from FHLB advance . . . . .	12,000,000	9,750,000
Payments on FHLB advance . . . . .	(4,000,000)	(3,000,000)
Advance payments for taxes and insurance . . . . .	(224,516)	126,811
Payment of cash dividend . . . . .	(80,648)	-
Net cash provided by (used for) financing activities. . . . .	<u>128,019</u>	<u>(643,125)</u>
Increase (Decrease) in cash and cash equivalents . . . . .	5,406,527	(985,537)
Cash and cash equivalents beginning of year. . . . .	<u>9,341,086</u>	<u>10,326,623</u>
Cash and cash equivalents end of year. . . . .	<u>\$ 14,747,613</u>	<u>\$ 9,341,086</u>
 <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash (paid) received during the year for:		
Interest . . . . .	\$ (4,006,130)	\$ (4,482,382)
Income taxes . . . . .	(695,500)	(61,000)
Income tax refunds . . . . .	323,629	22,651
 <b>SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Real estate acquired through, or in lieu of, foreclosure . . . . .	1,749,953	4,875,314
Origination of loans to finance the sale of investments in real estate. . . . .	1,496,395	1,562,121
Loans converted to mortgage-backed securities. . . . .	85,416,766	46,768,781
Dividend declared but not disbursed. . . . .	60,486	30,243
Property transferred to real estate held for investment. . . . .	198,209	-

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	<u>Capital Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, December 31, 1990	\$ 1,008,097	\$ 37,266	\$ 5,813,729	\$ 6,859,092
Net income. . . . .			216,921	216,921
Dividends - \$.03 per share. . . . .			(30,243)	(30,243)
Balance, December 31, 1991	1,008,097	37,266	6,000,407	7,045,770
Net income. . . . .			1,232,645	1,232,645
Dividends - \$.11 per share. . . . .			(110,890)	(110,890)
Balance, December 31, 1992. . . . .	<u>\$ 1,008,097</u>	<u>\$ 37,266</u>	<u>\$ 7,122,162</u>	<u>\$ 8,167,525</u>

The accompanying notes to financial statements are an integral part of these consolidated financial statements.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PIONEER SAVINGS & TRUST, F.A.

December 31, 1992

## NOTE A - SIGNIFICANT ACCOUNTING POLICIES

**ORGANIZATION AND PRINCIPLES OF CONSOLIDATION:** The consolidated financial statements include the accounts of Pioneer Savings & Trust, F.A. (the Association) and its wholly owned subsidiary, Pioneer Mortgage Company. All significant intercompany transactions and accounts have been eliminated.

**LOANS HELD FOR SALE:** Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses are recognized in a valuation allowance by charges to income.

**INVESTMENT SECURITIES AND FEDERAL HOME LOAN BANK STOCK:** Investment securities (which consist of U.S. Treasury obligations) and Federal Home Loan Bank stock are carried at amortized cost. Gains or losses are recognized as determined by the specific identification method. It is generally management's ability and intent to hold securities held for investment until maturity.

**ALLOWANCE FOR LOAN LOSSES:** An allowance is maintained at a level believed adequate by management to absorb potential losses inherent in the loan portfolio. The allowance is based on estimates, and ultimate losses may vary from the current estimates. The allowance is reviewed by management, and as losses become known, a provision for loss is charged to operations based upon management's assessment of the collectability of loans in the portfolio. Loans are charged against the allowance when, and to the extent, deemed uncollectible in the ordinary course of business.

**MORTGAGE-BACKED SECURITIES:** Mortgage-backed securities consist of Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) pass-through certificates and Federal Home Loan Mortgage Corporation (FHLMC) participation certificates. Also included in this category are FNMA and FHLMC real estate mortgage investment conduits. Mortgage-backed securities which management intends to hold until maturity are valued at amortized cost. Mortgage-backed securities held for sale which are not hedged are valued at the lower of aggregate amortized cost or market value. Securities held for trading are valued at market value.

**OFFICE PROPERTIES AND EQUIPMENT:** Office properties and equipment are stated on the basis of historical cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets which range from 3 to 50 years.

**INVESTMENTS IN REAL ESTATE:** Foreclosed real estate owned is recorded upon acquisition at the lower of cost (principal balance of former loan plus costs of obtaining title and repairs, if any) or estimated fair market value, which is generally determined by independent appraisal. Subsequent to acquisition, the Association periodically re-evaluates the properties and provides allowances for any difference between carrying value and estimated net realizable value.

**INTEREST AND FEES ON LOANS:** Interest on loans is accrued and credited to income as earned. A provision is either made against interest income to the extent that accrued but unpaid interest is deemed uncollectible or is automatically provided for if the loan is 90 days or more past due. Loan origination fees and direct origination costs are deferred and amortized over the life of the loan by the interest or level yield method. If the loan is held for sale, the fees are deferred until the loan is sold.

**GAIN OR LOSS ON SALE OF LOANS AND LOAN PARTICIPATIONS:** Gains and losses on sales of mortgage loans and mortgage loan participations are based on the difference between amortized book value of the loans sold and sales proceeds. Premiums paid for acquired servicing rights on loans purchased are netted against any gains on the sale of the related loans.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS



PIONEER SAVINGS & TRUST, F.A.

## NOTE A - SIGNIFICANT ACCOUNTING POLICIES - Continued

**INCOME TAXES:** The Association files a consolidated income tax return with its subsidiary Pioneer Mortgage Company and, as agreed, the calculation of taxes payable is based on Pioneer Mortgage Company's respective contribution to consolidated taxable income. Accordingly, the income taxes of Pioneer Mortgage Company determined to be currently payable are remitted to the Association. Deferred income taxes are recorded to account for temporary differences in the recognition of certain income and expense items for tax and financial statement purposes.

**RECLASSIFICATIONS:** Certain amounts in the 1991 financial statements have been reclassified to conform to the 1992 presentation.

## NOTE B - CASH AND INTEREST BEARING DEPOSITS

Cash and interest bearing deposits (cash equivalents) consisted of the following:

	December 31,	
	1992	1991
Interest bearing deposits	\$ 8,012,310	\$ 2,294,771
Cash and due from banks	3,963,303	2,404,315
Certificates of deposit (with an original maturity of three months or less)	<u>2,772,000</u>	<u>4,642,000</u>
	<u>\$ 14,747,613</u>	<u>\$ 9,341,086</u>

There were no amounts subject to withdrawal or usage restrictions.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

PIONEER SAVINGS & TRUST, F.A.

### NOTE C - INVESTMENT AND MORTGAGE-BACKED SECURITIES

The amortized cost and estimated market values of investments in debt securities at December 31, 1992 and 1991 are as follows:

	1992			
	Amortized Cost or Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Investment Securities:				
U.S. Treasury securities	\$ 196,582	\$ 3,418	\$ -	\$ 200,000
Mortgage-backed Securities:				
Held for investment	53,166,613	413,021	59,634	53,520,000
Held for sale	9,963,567	237,894	84,461	10,117,000
Held for trade	2,620,074	5,926	-	2,626,000
	<u>65,750,254</u>	<u>656,841</u>	<u>144,095</u>	<u>66,263,000</u>
	<u>\$65,946,836</u>	<u>\$ 660,259</u>	<u>\$ 144,095</u>	<u>\$66,463,000</u>
	1991			
	Amortized Cost or Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Investment Securities:				
U.S. Treasury securities	\$ 99,968	\$ 32	\$ -	\$ 100,000
Mortgage-backed Securities:				
Held for investment	58,176,097	1,716,903	-	59,893,000
Held for sale	402,847	28,153	-	431,000
	<u>58,578,944</u>	<u>1,745,056</u>	<u>-</u>	<u>60,324,000</u>
	<u>\$58,678,912</u>	<u>\$ 1,745,088</u>	<u>\$ -</u>	<u>\$60,424,000</u>

The amortized cost and estimated market value of debt securities at December 31, 1992, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to prepay obligations without prepayment penalties.

	Amortized Cost or Carrying Value	Estimated Market Value
Due in one year or less	\$ 196,582	\$ 200,000
Mortgage-backed securities	<u>65,750,254</u>	<u>66,263,000</u>
	<u>\$65,946,836</u>	<u>\$66,463,000</u>

At December 31, 1992 and 1991, \$5,806,679 and \$3,942,664, respectively, of securities were pledged to secure public unit deposits.





PIONEER SAVINGS & TRUST, F.A.

**NOTE C - INVESTMENT AND MORTGAGE-BACKED SECURITIES - Continued**

The following table presents components of gains and losses on sales of securities:

	December 31,	
	<u>1992</u>	<u>1991</u>
Gains	\$ 2,320,863	\$ 1,220,988
Losses	<u>433,627</u>	<u>246,311</u>
Net gains	<u>\$ 1,887,236</u>	<u>\$ 974,677</u>

**NOTE D - LOANS**

Loans consisted of the following:

	December 31,	
	<u>1992</u>	<u>1991</u>
First mortgage loans held for investment:		
Conventional	\$ 51,364,266	\$ 59,650,850
FHA insured and VA guaranteed	5,750,500	5,891,090
Construction and land	8,653,461	4,789,416
Loans in process	<u>(5,139,591)</u>	<u>(1,733,603)</u>
	60,628,636	68,597,753
Savings account loans	1,253,539	1,737,300
Installment and other loans	1,041,085	1,568,195
Unearned discounts	<u>(8,529)</u>	<u>(8,663)</u>
	62,914,731	71,894,585
Allowance for loan losses	(439,958)	(454,072)
Deferred loan fees, net	<u>(147,141)</u>	<u>(143,593)</u>
	<u>\$ 62,327,632</u>	<u>\$ 71,296,920</u>
First mortgage loans held for sale:		
Conventional	\$ 6,141,659	\$ 3,618,084
FHA insured and VA insured	<u>13,218,221</u>	<u>10,853,099</u>
	19,359,880	14,471,183
Deferred loan fees, net	<u>(102,091)</u>	<u>(272,629)</u>
	<u>\$ 19,257,789</u>	<u>\$ 14,198,554</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

PIONEER SAVINGS & TRUST, F.A.

### NOTE D - LOANS -- Continued

An analysis of the activity in the allowance for loan losses is as follows:

	December 31,	
	<u>1992</u>	<u>1991</u>
Balance at beginning of year	\$ 454,072	\$ 483,990
Recoveries	60,816	18,930
Provision	<u>602,632</u>	<u>692,748</u>
	1,117,520	1,195,668
Charge-offs	<u>(677,562)</u>	<u>(741,596)</u>
Balance at end of year	<u>\$ 439,958</u>	<u>\$ 454,072</u>

The Association had outstanding floating market rate commitments of \$7,986,000 to originate loans at December 31, 1992. The Association had also committed to sell \$3,928,000 of loans as of December 31, 1992. Management does not anticipate that the execution of these commitments will have a material adverse effect on the consolidated financial statements.

Nonaccrual loans totaled \$1,912,649 and \$2,352,369 at December 31, 1992 and 1991, respectively. Interest income that would have been recorded under the original terms of such loans and the interest income actually recognized for the years ended December 31 are summarized below:

	<u>1992</u>	<u>1991</u>
Interest income that would have been recorded	\$ 12,503,093	\$ 12,828,811
Interest income recognized	<u>12,340,128</u>	<u>12,479,620</u>
Interest income foregone	<u>\$ 162,965</u>	<u>\$ 349,191</u>

Net gains on whole loan sales were \$439,550 and \$374,271 in 1992 and 1991, respectively.





PIONEER SAVINGS & TRUST, F.A.

**NOTE E - OFFICE PROPERTIES AND EQUIPMENT**

Office properties and equipment consisted of the following:

	December 31,	
	<u>1992</u>	<u>1991</u>
Land	\$ 818,855	\$ 1,017,065
Buildings	3,088,155	3,107,438
Furniture and equipment	<u>2,360,993</u>	<u>2,781,349</u>
	6,268,003	6,905,852
Accumulated depreciation	<u>(2,424,470)</u>	<u>(2,872,860)</u>
	<u>\$ 3,843,533</u>	<u>\$ 4,032,992</u>

**NOTE F - INVESTMENTS IN REAL ESTATE**

Investments in real estate consisted of the following:

	December 31,	
	<u>1992</u>	<u>1991</u>
Real estate acquired in settlement of loans and through foreclosure	\$ 6,396,329	\$ 9,126,714
Allowance for losses	<u>(45,601)</u>	<u>( 270,248)</u>
	<u>\$ 6,350,728</u>	<u>\$ 8,856,466</u>

An analysis of the activity in the allowance for losses on foreclosed real estate owned is as follows:

	December 31,	
	<u>1992</u>	<u>1991</u>
Balance at beginning of year	\$ 270,248	\$ 177,480
Recoveries	0	172,919
Provision	<u>1,592,344</u>	<u>354,403</u>
	1,862,592	704,802
Charge-offs	<u>(1,816,991)</u>	<u>(434,554)</u>
Balance at end of year	<u>\$ 45,601</u>	<u>\$ 270,248</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

PIONEER SAVINGS & TRUST, F.A.

### NOTE G - LOAN SERVICING

Mortgage loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of these loans are summarized as follows:

	December 31,	
	<u>1992</u>	<u>1991</u>
Mortgage loans underlying pass through securities:		
GNMA	\$136,632,683	\$ 66,893,280
FNMA	29,208,740	24,383,143
FHLMC	<u>18,843,917</u>	<u>25,785,169</u>
	<u>184,685,340</u>	<u>117,061,592</u>
Mortgage loan portfolios serviced for:		
FNMA	86,805,720	52,444,733
FHLMC	143,294,042	95,289,199
Other investors	<u>7,684,735</u>	<u>10,082,476</u>
	<u>237,784,497</u>	<u>157,816,408</u>
	<u>\$422,469,837</u>	<u>\$274,878,000</u>

Custodial balances on deposit in connection with the foregoing loan servicing are as follows:

At Pioneer	\$ 6,293,799	\$ 5,677,027
At other financial institutions	<u>3,123,054</u>	<u>2,172,624</u>
	<u>\$ 9,416,853</u>	<u>\$ 7,849,651</u>

Following is an analysis of the changes in loan-servicing rights acquired (purchased) and excess servicing fees receivable (retained) for the years 1992 and 1991:

	<u>Purchased</u>	<u>Excess Servicing</u>
Balance, December 31, 1990	\$ 248,018	\$ 837,747
Additions	1,943,913	0
Amortization	(383,669)	(104,350)
Valuation adjustments due to changes in prepayment assumptions	<u>0</u>	<u>(102,971)</u>
Balance, December 31, 1991	1,808,262	630,426
Additions	1,523,645	0
Amortization	(756,051)	(69,258)
Valuation adjustments due to changes in prepayment assumptions	<u>0</u>	<u>(287,859)</u>
Balance, December 31, 1992	<u>\$ 2,575,856</u>	<u>\$ 273,309</u>

Capitalized excess servicing is included as a component of other assets in the Consolidated Statements of Financial Condition.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued



PIONEER SAVINGS & TRUST, F.A.

## NOTE H - DEPOSITS

A comparative summary of deposits follows:

Type	Average Rate %	December 31, 1992	Average Rate %	December 31, 1991
Non-interest bearing commercial		\$ 8,315,372		\$ 7,226,800
Passbook	2.71%	8,561,273	4.24%	4,514,989
NOW accounts	2.40%	9,589,881	4.28%	7,975,602
Super NOW accounts	2.57%	1,944,902	4.53%	1,693,659
Money market deposit accounts	2.88%	14,711,891	4.81%	13,452,249
Certificates of deposit	4.49%	<u>100,509,733</u>	6.03%	<u>112,163,021</u>
		<u>\$143,633,052</u>		<u>\$147,026,320</u>

The following is a comparative summary of deposits held by the Association as of December 31, 1992 and 1991, categorized by interest rates being paid:

	1992	1991
0.00%	\$ 8,472,559	\$ 7,326,814
2.01% - 3.00%	37,580,590	0
3.01% - 4.00%	45,706,061	0
4.01% - 5.00%	25,367,260	41,669,618
5.01% - 6.00%	8,474,897	46,533,389
6.01% - 7.00%	8,149,087	28,212,266
7.01% - 8.00%	5,711,027	16,289,607
8.01% - 9.00%	3,583,439	6,402,016
9.01% - 10.00%	588,132	592,610
	<u>\$143,633,052</u>	<u>\$147,026,320</u>

A comparative summary of deposits by term to maturity as of December 31, 1992 and 1991, follows:

	1992	1991
No contractual maturities	\$ 43,123,319	\$ 34,863,300
Under 12 months	79,029,528	93,713,704
13 months to 24 months	9,323,650	10,127,421
25 months to 36 months	5,325,685	4,090,753
Over 36 months	6,830,870	4,231,142
	<u>\$143,633,052</u>	<u>\$147,026,320</u>

Interest expense on deposits was comprised of the following:

	1992	1991
Passbook	\$ 236,745	\$ 200,770
Demand	777,453	1,074,770
Time	5,673,736	8,117,501
	<u>\$ 6,687,934</u>	<u>\$ 9,393,041</u>

The aggregate amount of jumbo certificates of deposit with a minimum denomination of \$100,000 and with an original maturity of one year or less was \$9,896,947 and \$9,748,189 at December 31, 1992 and 1991, respectively.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

PIONEER SAVINGS & TRUST, F.A.

### NOTE I - NOTES PAYABLE TO FEDERAL HOME LOAN BANK

Notes payable to the Federal Home Loan Bank (FHLB) consist of fixed rate, fixed-term advances which must be secured by mortgage loans or other assets acceptable to the FHLB. At December 31, 1992, the Association's advances were secured by a blanket assignment of mortgage loans with a market value equal to the amount of outstanding advances. A summary of advances and borrowings at December 31 follows:

Maturity Date	Rate at December 31, 1992	1992	1991
2-12-92	7.66%	\$ 0	\$ 4,000,000
3-01-93	6.29%	2,750,000	2,750,000
4-01-94	5.88%	5,000,000	0
10-16-94	6.55%	7,000,000	7,000,000
2-06-95	5.73%	3,000,000	0
2-02-96	6.41%	4,000,000	0
		<u>\$ 21,750,000</u>	<u>\$ 13,750,000</u>

### NOTE J - INCOME TAXES

Income taxes receivable included in other assets for 1992 and 1991, respectively, were \$53,000 and \$162,000. Deferred income taxes payable included in accounts payable and other liabilities were \$482,000 and \$702,000 for 1992 and 1991, respectively. The Association records tax provisions (benefits) based on income for financial reporting purposes. Total income taxes in the Consolidated Statements of Income are as follows:

	Years Ended December 31,	
	1992	1991
CURRENT:		
Federal	\$ 776,003	\$ 194,045
State	139,083	29,707
DEFERRED:		
Federal	(174,604)	(43,721)
State	(46,182)	(16,831)
	<u>\$ 694,300</u>	<u>\$ 163,200</u>

Deferred income taxes result from temporary differences in the recognition of income and expense for income tax versus financial statement purposes. The sources of these differences and the tax effects were as follows:

	December 31,	
	1992	1991
Excess of tax over book depreciation	\$ (34,337)	\$ (2,097)
Income from loan swaps	(63,929)	(14,912)
FHLB stock dividends and redemption	15,719	(506)
Deferred loan fees and origination costs	(4,592)	(3,038)
Sale of servicing rights	0	(49,467)
Partnership/joint venture income	(80,752)	7,631
Real estate valuation adjustments	0	(737)
Utilization of capital loss carry forward	31,873	0
Accrued loss on litigation settlement	(105,100)	0
Other	20,332	2,574
	<u>\$ (220,786)</u>	<u>\$ (60,552)</u>





PIONEER SAVINGS & TRUST, F.A.

**NOTE J - INCOME TAXES - Continued**

The differences between total tax provision and the amount computed by applying the applicable statutory Federal income tax rate of 34% to income before income taxes were as follows:

	<u>1992</u>	<u>1991</u>
Computed "expected" tax provision	\$ 655,161	\$ 129,241
Effect of bad debt deduction	(148,156)	(24,706)
Dividend and tax exempt interest	(1,127)	(1,143)
State income taxes, net	51,597	4,212
Rate benefit of deferral to future years	153,013	51,770
Other, net	1,969	(12,093)
Adjustment to prior year's income taxes	<u>(18,157)</u>	<u>15,919</u>
Total income tax provision	<u>\$ 694,300</u>	<u>\$ 163,200</u>

The Association generally is allowed a special bad debt deduction for income tax purposes equal to the greater of 8% of taxable income before such deduction, actual charge-offs, or an amount computed using the six-year experience method. As of December 31, 1992, the allowance for bad debts generated as a result of the aforementioned deductions exceeded the allowance for loan losses reported in the accompanying financial statements by \$1,497,000. In accordance with generally accepted accounting principles, deferred tax liabilities are not recorded for this temporary difference. The amount of unrecognized deferred income tax liability for this difference is \$554,000. Distributions from stockholders' equity in excess of the accumulated earnings for tax purposes would be taxable to the Association if such distributions are ever made.

On February 10, 1992, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 109, "Accounting for Income Taxes." That Statement supersedes both APB Opinion No. 11, "Accounting for Income Taxes," and FASB Statement No. 96, "Accounting for Income Taxes." Adoption of Statement 109 is required for fiscal years beginning after December 15, 1992, with early adoption permitted. This new standard, when adopted in 1993 is expected to result in a charge to earnings of approximately \$120,000.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

PIONEER SAVINGS & TRUST, F.A.

### NOTE K - REGULATORY CAPITAL

The Association reports net worth and net income to the Office of Thrift Supervision (OTS) according to generally accepted accounting principles. At December 31, 1992, there were no reconciling differences between what was reported to the OTS and what is reported in these statements.

In accordance with the "Financial Institutions Reform, Recovery and Enforcement Act of 1989," (FIRREA), the OTS issued three capital requirements which became effective December 7, 1989. Following is a comparison of the Association's capital ratios to those required by OTS.

	1992		1991	
	<u>Required</u>	<u>Actual</u>	<u>Required</u>	<u>Actual</u>
Tangible	1.5%	4.6%	1.5%	4.0%
Core	3.0	4.6	3.0	4.0
Risk-based	8.0	10.3	7.2	8.8

At December 31, 1992 and 1991, the Association met all three capital requirements and exceeded the risk-based capital requirement by \$2.0 million and \$1.3 million, respectively.

During December 1990, the Association entered into a supervisory agreement with the Office of Thrift Supervision (OTS). The agreement requires the Association to develop classified asset reduction and separate corporate existence plans, to obtain appraisals on real estate upon acquisition, to notify the OTS District Director of the proposed addition or employment of any director or senior executive officer before such addition or employment becomes effective and lastly, not to engage in real estate transactions with an "affiliated person" without the written approval of the District Director. Management believes that the Association is in compliance with the agreement at December 31, 1992 and as of the date of this report.





PIONEER SAVINGS & TRUST, F.A.

**NOTE L - COMMITMENTS AND CONTINGENCIES**

The Association leases office space for administrative offices and certain branch offices under various operating leases with terms ranging through 1994. Lease payments included in occupancy expense totaled \$130,126 and \$132,673 for the years ended December 31, 1992 and 1991, respectively. Future minimum lease payments under the Association's non-cancelable operating leases outstanding as of December 31, 1992, were as follows:

1993	\$ 126,166
1994	<u>8,883</u>
	<u>\$ 135,049</u>

In the normal course of business, the Association becomes a party to various lawsuits in which they defend or settle such actions. When actions are deemed probable of settlement, adequate provisions for losses are provided in the financial statements. With regard to actions in process at December 31, 1992, management of the Association intends to vigorously defend these actions, and it is their opinion as well as the opinion of legal counsel, that the resolution of these matters will not have a material effect on the Association's consolidated financial position or results of operations.

**NOTE M - FAIR VALUE OF FINANCIAL INSTRUMENTS**

Statement of Financial Accounting Standards No 107, "Disclosure about Fair Value of Financial Instruments", requires the Association to disclose the estimated fair value of its financial instruments. The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

**CASH AND DUE FROM BANKS, AND INTEREST-BEARING DEPOSITS WITH OTHER BANKS:** For these short-term instruments, their carrying amount is a reasonable estimate of fair value.

**INVESTMENT SECURITIES:** The fair value of investment securities is equal to the estimated quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities, adjusted for differences between the quoted instruments and the instruments being valued. The fair value of the investment securities is presented in Note C.

**LOANS:** The fair value of performing loans is calculated by using a simulated pricing model. The model calculates the fair value of the loans by discounting the scheduled cash flows through maturity using the discount rates that reflect the credit and interest rate risks inherent in the loan portfolio.

Fair value of significant nonperforming loans is valued on a loan-by-loan basis. The factors considered in determining an appropriate reserve for possible loan losses are considered in determining the effects of changes in credit risk when estimating fair value. Assumptions regarding credit risk, cash flows and discount rates are judgmentally determined using available market information and specific borrower information.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

PIONEER SAVINGS & TRUST, F.A.

### NOTE M - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued

The following table presents information for loans:

	<u>December 31, 1992</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
Loans held for investment:		
1-4 Family and Participations	\$45,895,098	\$47,285,525
Multi-family and participation	11,219,668	11,696,743
Deferred fees and valuation allowance	<u>(476,918)</u>	<u>-</u>
	<u>56,637,848</u>	<u>58,982,268</u>
Construction loans:		
Construction	3,513,870	3,542,235
Deferred fees & valuation allowance	<u>(88,467)</u>	<u>-</u>
	<u>3,425,403</u>	<u>3,542,235</u>
Loans held for sale:		
Mortgages held for sale	19,359,880	19,705,709
Deferred fees and valuation allowance	<u>(102,091)</u>	<u>-</u>
	<u>19,257,789</u>	<u>19,705,709</u>
2nd mortgages	<u>61,579</u>	<u>77,083</u>
Savings account loans	<u>1,253,539</u>	<u>1,256,415</u>
Consumer and Commercial:		
Consumer/commercial	979,506	997,658
Deferred fees	<u>(30,243)</u>	<u>-</u>
	<u>949,263</u>	<u>997,658</u>
Total net loans	<u>\$81,585,421</u>	<u>\$84,561,368</u>

**DEPOSITS:** The fair value of deposits with no stated maturity, such as non-interest bearing demand deposits, savings and interest-bearing transaction accounts, is equal to the amount payable on demand as of December 31, 1992. The fair value of time deposits are estimated based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits with similar remaining maturities.

	<u>December 31, 1992</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
Non-interest bearing commercial	\$ 8,315,372	\$ 8,315,372
Passbook	8,561,273	8,561,273
NOW accounts	9,589,881	9,589,881
Super NOW accounts	1,944,902	1,944,902
Money market deposit accounts	14,711,891	14,711,891
Certificates of deposit	<u>100,509,733</u>	<u>101,252,360</u>
	<u>\$143,633,052</u>	<u>\$144,375,679</u>





PIONEER SAVINGS & TRUST, F.A.

**NOTE M - FAIR VALUE OF FINANCIAL INSTRUMENTS - Continued**

**BORROWINGS:** Borrowings consist of advances from the Federal Home Loan Bank. The fair value of advances is based on the discounted value of contractual cash flows. The following table shows the break down of the total amount by maturity date.

<u>Maturity Date</u>	<u>December 31, 1992</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
03-01-93	\$ 2,750,000	\$ 2,769,139
04-01-94	5,000,000	5,084,570
10-16-94	7,000,000	7,199,636
02-06-95	3,000,000	3,030,735
02-02-96	4,000,000	4,033,316
	<u>\$21,750,000</u>	<u>\$22,117,396</u>

**ACCRUED INTEREST RECEIVABLE AND PAYABLE:** The fair value of interest receivable and payable approximate the carrying amount because the balance is expected to be collected or paid in 90 days or less.

**INTEREST RATE CAP AGREEMENT:** The fair value of interest rate cap agreements (used for hedging purposes) is the estimated amount that the Association would receive to terminate the agreement at the reporting date, considering current interest rates.

	<u>December 31, 1992</u>		
	<u>Notional Amount</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Interest rate cap agreements:	<u>\$ 10,000,000</u>	<u>\$ 132,162</u>	<u>\$ 44,000</u>

**EXCESS SERVICING:** The fair value of \$18.3 million in excess servicing is based on an external appraisal as of December 31, 1992.

	<u>December 31, 1992</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
Excess servicing	<u>\$ 273,309</u>	<u>\$ 293,000</u>



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- Continued

PIONEER SAVINGS & TRUST, F.A.

### NOTE N - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Association is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financial needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and financial guarantees. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the Consolidated Statements of Financial Condition. The contract amounts of those instruments reflect the extent of involvement the Association has in particular classes of financial instruments.

The Association's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit and financial guarantees written is represented by the contractual notional amount of those instruments. The Association uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. The fair value of commitments to originate or purchase loans approximates the contract amount in the following table.

	<u>Contract or Notional Amount</u>
Financial instruments whose contract amounts represent credit risk:	
Commitments to originate loans	\$ 453,000
Commitments to purchase loans	7,533,000
Loans sold with recourse	579,000
Financial instruments the notional or contract amounts of which exceed the amount of credit risk:	
Commitments to purchase securities	\$ 5,500,000
Commitments to sell securities	23,578,000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Association evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by management upon extension of credit, is based on a credit evaluation of the counter-party. Collateral held varies but may include accounts receivable, inventory, property, plant, equipment, and income-producing commercial properties.

The Association's lending area is concentrated in the Southwest region of the United States, primarily New Mexico and Texas. There are no concentrations of credit to any one industry.





PIONEER SAVINGS & TRUST, F.A.

**NOTE O - RETIREMENT PLAN**

The Association adopted a 401(k) retirement savings plan for employees effective January 1, 1991. Matching contributions are optional at the discretion of the Board of Directors. The level of matching contributions of eligible employee compensation and expense were as follows for 1991 and 1992:

<u>Year</u>	<u>Match</u>	<u>Covered Compensation</u>	<u>Expense</u>
1991	50%	3%	\$11,166
1992	100%	3%	30,000

**NOTE P - RELATED PARTY TRANSACTIONS**

An analysis of loans to directors and executive officers is as follows:

	<u>1992</u>	<u>1991</u>
Balance at beginning of year	\$ 421,421	\$ 428,229
Loan principal repayments	29,914	6,808
Balance at end of year	<u>\$ 391,505</u>	<u>\$ 421,421</u>

It is the policy of the Association to provide mortgage loans to its full-time officers and employees for the purpose of financing their personal residences. Any other loans made by the Association to directors or officers are fully secured and are made in the ordinary course of business. Such loans are made on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and none of the loans involve more than normal risk of collection or present other unfavorable features.

James L. Bruin, a Director of the Association, is of counsel to the law firm of Sanders, Bruin, Coll & Worley, P.A., in Roswell, New Mexico. The firm serves as general counsel for the Association and, from time to time, has represented Pioneer in legal matters. The firm received approximately \$74,000 and \$70,000 for legal services rendered to the Association in the years ended December 31, 1992 and 1991, respectively.

The Association had a loan to a residential and commercial land development company in which the Association was a 25% limited partner. As a limited partner, the Association was at risk only to the extent of its investment of \$1,000 and had no obligation to make any additional capital contributions. During 1991, the Association foreclosed its lien on the property and wrote off its investment in the joint venture. The following table reflects sales of property during 1991 and 1992.

	<u>Carrying Value</u>	<u>Gain</u>
1991	\$903,100	\$ -
1992	181,778	175,878

Management does not anticipate any losses on the remaining properties.



# REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

## PIONEER SAVINGS & TRUST, F.A.

To the Board of Directors and Shareholders  
Pioneer Savings & Trust, F.A.  
Roswell, New Mexico:

We have audited the accompanying consolidated statements of financial condition of Pioneer Savings & Trust, F.A. and subsidiary as of December 31, 1992 and 1991, and the related consolidated statements of income, cash flows and stockholders' equity for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Pioneer Savings & Trust, F.A. and subsidiary as of December 31, 1992 and 1991, and the consolidated results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

*Arthur Andersen & Co.*

Albuquerque, New Mexico  
March 5, 1993



# SELECTED FINANCIAL DATA -- Unaudited



## PIONEER SAVINGS & TRUST, F.A.

The following table sets forth selected financial data for the last five years.

	Year Ended December 31,				
	1992	1991	1990	1989	1988
Interest income	\$ 12,797,024	\$ 13,219,387	\$ 13,477,807	\$ 14,086,870	\$ 15,573,121
Interest expense	8,112,659	9,952,915	11,145,394	12,427,269	13,707,629
Net interest income	4,684,365	3,266,472	2,332,413	1,659,601	1,865,492
Net income (loss)	1,232,645	216,921	105,571	72,314	109,587
Per share data:					
Net income (loss)	1.22	.22	.10	.07	.11
Dividends	.11	.03	0	0	0
Investments	196,582	99,968	3,469,585	99,895	312,245
Mortgage-backed securities	65,750,254	58,578,944	41,921,354	26,354,721	31,160,502
Loans	81,585,421	85,495,474	92,512,732	97,733,299	110,701,647
Total assets	179,077,713	172,404,417	166,894,994	159,740,860	188,424,640
Deposits	143,633,052	147,026,320	149,071,197	139,185,791	156,162,812
Borrowings	21,750,000	13,750,000	7,000,000	10,000,000	20,771,000
Stockholders' equity	8,167,525	7,045,770	6,859,092	6,753,918	6,681,604
Customer service facilities:					
Full service branch facilities	6	6	6	6	6
Loan production offices	2	2	2	3	3
Loans serviced for others	422,470,000	274,878,000	173,716,000	223,178,000	209,433,000



# SELECTED FINANCIAL DATA -- Unaudited

## PIONEER SAVINGS & TRUST, F.A.

### VOLUME AND RATE ANALYSIS

(000's OMITTED)

1992 COMPARED TO 1991:

	Average Volume		Average Rate		Interest		Interest Variance Attributable to:		
	1992	1991	1992	1991	1992	1991	Interest Variance	Volume	Rate
	Interest income:								
Loans.....	\$ 84,295	\$ 88,100	8.82%	9.43%	\$ 7,435	\$ 8,311	\$ (876)	\$ (335)	\$ (541)
Mortgage-backed securities.	71,881	50,104	6.82	8.32	4,905	4,168	737	1,486	(749)
Investments.....	<u>10,322</u>	<u>11,888</u>	<u>4.43</u>	<u>6.22</u>	<u>457</u>	<u>740</u>	<u>(283)</u>	<u>(70)</u>	<u>(213)</u>
Total interest earning assets.....	<u>\$166,498</u>	<u>\$150,092</u>	<u>7.69%</u>	<u>8.81%</u>	<u>\$12,797</u>	<u>\$13,219</u>	<u>\$ (422)</u>	<u>\$ 1,081</u>	<u>\$(1,503)</u>
Interest expense:									
Deposits.....	\$151,794	\$149,275	4.41%	6.29%	\$ 6,688	\$ 9,393	\$(2,705)	\$ 110	\$(2,815)
Borrowed funds.....	<u>22,541</u>	<u>7,855</u>	<u>6.32</u>	<u>7.13</u>	<u>1,425</u>	<u>560</u>	<u>865</u>	<u>928</u>	<u>(63)</u>
Total interest bearing liabilities.....	<u>\$174,335</u>	<u>\$157,130</u>	<u>4.65%</u>	<u>6.33%</u>	<u>\$ 8,113</u>	<u>\$ 9,953</u>	<u>\$(1,840)</u>	<u>\$ 1,038</u>	<u>\$(2,878)</u>
Net interest spread and income.....			<u>3.04%</u>	<u>2.48%</u>	<u>\$ 4,684</u>	<u>\$ 3,266</u>			
Ratio of net interest income to average interest earning assets.....					<u>2.81%</u>	<u>2.18%</u>			

1991 COMPARED TO 1990:

	Average Volume		Average Rate		Interest		Interest Variance Attributable to:		
	1991	1990	1991	1990	1991	1990	Interest Variance	Volume	Rate
	Interest Income:								
Loans.....	\$ 88,100	\$ 98,332	9.43%	9.80%	\$ 8,311	\$ 9,635	\$(1,324)	\$(1,003)	\$ (321)
Mortgage-backed securities.	50,104	34,724	8.32	8.56	4,168	2,974	1,194	1,317	(123)
Investments.....	<u>11,888</u>	<u>14,079</u>	<u>6.22</u>	<u>6.17</u>	<u>740</u>	<u>869</u>	<u>(129)</u>	<u>(135)</u>	<u>6</u>
Total interest earning assets.....	<u>\$150,092</u>	<u>\$147,135</u>	<u>8.81%</u>	<u>9.16%</u>	<u>\$13,219</u>	<u>\$13,478</u>	<u>\$ (259)</u>	<u>\$ 179</u>	<u>\$(438)</u>
Interest expense:									
Deposits.....	\$149,275	\$145,656	6.29%	7.27%	\$ 9,393	\$10,586	\$(1,193)	\$ 263	\$(1,456)
Borrowed funds.....	<u>7,855</u>	<u>7,349</u>	<u>7.13</u>	<u>7.62</u>	<u>560</u>	<u>560</u>	<u>0</u>	<u>39</u>	<u>(39)</u>
Total interest bearing liabilities.....	<u>\$157,130</u>	<u>\$153,005</u>	<u>6.33%</u>	<u>7.28%</u>	<u>\$ 9,953</u>	<u>\$11,146</u>	<u>\$(1,193)</u>	<u>\$ 302</u>	<u>\$(1,495)</u>
Net interest spread and income.....			<u>2.48%</u>	<u>1.88%</u>	<u>\$ 3,266</u>	<u>\$ 2,332</u>			
Ratio of net interest income to average interest earning assets.....					<u>2.18%</u>	<u>1.58%</u>			



# CORPORATE INFORMATION



## PIONEER SAVINGS & TRUST, F.A.

### GENERAL INFORMATION

Pioneer Savings & Trust, F.A. is a federally chartered stock association. The Association's deposits are insured by the Savings Association Insurance Fund, an agency of the federal government. The principal business of the Association is to finance the purchase, construction or improvements of residential real estate.

The Association has one subsidiary, Pioneer Mortgage Company, which is involved in construction and mortgage lending, primarily in Texas.

#### CORPORATE OFFICES

Pioneer Savings & Trust, F.A.  
306 N. Pennsylvania  
P.O. Box 130  
Roswell, New Mexico 88202

#### INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen & Co.  
6501 Americas Parkway, NE, Suite 400  
Albuquerque, NM 87110

#### GENERAL COUNSEL

Sanders, Bruin, Coll & Worley, P.A.  
United New Mexico Bank Plaza  
Suite 600  
P.O. Box 550  
Roswell, New Mexico 88202

#### REGISTRAR AND TRANSFER AGENT

Pioneer Savings & Trust, F.A.

### ANNUAL MEETING

The annual meeting of shareholders of Pioneer Savings & Trust, F.A., will be held at 2:00 P.M. on Thursday, April 22, 1993 at the Roswell Inn, 1815 N. Main, Roswell, New Mexico.

### MARKET FOR COMMON STOCK

The Common Stock of Pioneer Savings & Trust, F.A. is not traded on any exchange nor is there a market maker in the stock. The market for the stock is limited and sporadic. There are no accurate quarterly high bid and low bid quotations available. As of December 31, 1992, there were approximately 384 holders of record of Pioneer Common Stock. Dividends of \$.11 per share were declared in 1992.



## BOARD OF DIRECTORS

---

G. Eugene Bell  
Vice President, Bell Gas

James L. Bruin  
Attorney

Patricia J. Cooper  
Investments

Rexell V. Desmond  
Investments

Jon E. Hitchcock  
Executive VP & Treasurer,  
Pioneer Savings & Trust, F.A.

George H. Hunker, Jr.  
Attorney

Timothy Z. Jennings  
State Senator & Rancher

Arthur R. McQuiddy  
President, McQuiddy Communications &  
Energy, Inc.

George W. Mitchell  
President, Pioneer Savings & Trust, F.A.

C.W. Ritter  
President, Ritter Enterprises, Inc.

## OFFICERS

### Pioneer Savings & Trust, F.A.

	<u>President &amp; Chief Executive Officer</u> <u>Chairman of the Board</u> George W. Mitchell	
<u>Vice-President</u> John Dick-Peddie Mary Flores Suzi K. Glass Daniel A. Hostetler Susan Keohane Robert Mays Scott Mohrhauser Rebecca Underation Debe Wagner	<u>Executive Vice-President</u> <u>&amp; Treasurer</u> Jon E. Hitchcock	<u>Assistant Vice-President</u> Virginia Boyer Janet Flanagan Charlotte Gipson Lee Harrell Sharon Kirchhofer Phyllis Quintana Carolyn Shanley Robert D. Vie Debra Young
<u>Secretary</u> Barba McCampbell		<u>Assistant Secretary</u> Sara Hill Lanice White

### Pioneer Mortgage Company

Vice-President  
Pamela Sparks  
Freida Little

Assistant Vice-President  
Margie Varela







## **PIONEER SAVINGS & TRUST, F.A.**

**306 N. Pennsylvania, P.O. Box 130, Roswell, New Mexico 88201  
(505) 624-5200**

**1095 Mechem, P.O. Box 910, Ruidoso, New Mexico 88345  
(505) 258-5858**

**Porto Rico & 10th, P.O. Box 1707, Alamogordo, New Mexico 88310  
(505) 437-9075**

**111 North Canal, P.O. Box S, Carlsbad, New Mexico 88220  
(505) 887-6551**

**1020 North Turner, P.O. Box 177, Hobbs, New Mexico 88240  
(505) 393-2102**

**1155 South Telshor Blvd. - Suite 100, P.O. Box 609, Las Cruces, New Mexico 88004  
(505) 522-3300**

## **PIONEER MORTGAGE COMPANY**

**6068 Gateway East, El Paso, Texas 79905  
(915) 778-4100**

**3325 West Wadley - Suite 140, Midland, Texas 79707  
(915) 520-0081**

